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September 19, 2007

Ms. Mary Levine
Acting Director of Legal Affairs
Michigan State Housing Development Authority
735 East Michigan Avenue
Lansing, Michigan 48909

Re: Draft Qualified Allocation Plan

Dear Ms. Levine:

The Woda Group, LLC is a regional tax credit developer that has completed over 85 affordable housing developments in 5 states, including Michigan. We appreciate the opportunity to comment on MSHDA's proposed Qualified Allocation Plan for 2008-2009.

In general, it is clear that a great deal of thought has gone into this draft and we respect the effort put in to trying to produce a new plan for affordable housing in Michigan. We support eliminating the lottery and re-working the Michigan QAP. We support many of the policy statements in the plan. These include:

- The continued incorporation of the ten growth tenets promulgated by the Michigan Land Use Leadership Council
- We agree with the general concept that Michigan's economy is lagging the national economy and that the creation of "vibrant communities to attract and retain talented workers" is essential.
- We agree that homelessness is a problem that must be addressed, and that Michigan should seek to discover and adopt best practices in this area.

However, the set asides that result from these policy statements result in an allocation system that is essentially central governmental economic planning, a policy that has never been in favor in the United States and that has failed where it has been tried. Attached is an analysis of the various set asides in the proposed QAP. After satisfying these set asides, the amount left for workforce type moderate and low income housing is $1,040,000, or approximately 5.5% of Michigan's annual allocation amount, and almost all of this remaining amount ($900,000) is part of the Rural Set Aside. This amount is far too small and will be detrimental to economic development in Michigan as a whole.

Our specific comments on the set asides are as follows:

- The DHHP holdback forces development in a relatively small area. This will prove to be anti-competitive and will certainly lead to developments that cannot be financed and will fail operationally. This holdback will have the impact of further concentrating poverty in already impoverished areas.
- The same comments apply to the PDC holdback as apply to the DHHP holdback. This type of central planning is detrimental to competition and market forces which are essential elements of a successful QAP.
- Our company has significant experience developing in the rural areas. The division of the already miniscule Rural Holdback into Assisted Living and Non-Profit categories will hurt rural communities and hasten their decline. The QAP states that "Community Development Corporation have proven to be particularly successful in achieving positive economic outcomes." There is no support for this statement because none exists. Community Development Corporations can and do play valuable roles in the operation of affordable housing projects. However, as a recent study by the National Association of Home Builders states, and as default rates for affordable housing developments prove, experienced and well capitalized developers are more efficient and effective than part time, inexperienced Community Development Corporations when it comes to producing affordable housing. This is particularly true in the rural areas where the level of activity does not support full time housing and development staff. The set aside for assisted living developments in rural areas is an experiment that should not be conducted. Rural tax credit housing is often the only new housing in its area. It IS the market for housing in the rural area. It is frequently the only new housing stock available to keep workers in place in rural communities. The QAP fails to recognize this by allowing for less than $900,000 per year on average for rural Michigan housing that is geared toward the general population.
- The Supportive Housing holdback is too large. It should be no more than 10% of the annual allocation and should be conditioned on presentation of a viable and demonstrable funding source for operations for the entire 15 year compliance period. Without this, there will be widespread defaults that will be detrimental to all involved.
- Affordable assisted living should not be funded with 9% tax credits. MSHDA is not staffed to evaluate, administer, or monitor these developments. The QAP is silent as to criteria that would be necessary to implement a program such as this. There is no policy support from a workforce retention standpoint for this set aside. Workforce retention and economic development should be MSHDA's priorities at this time.

A set aside should be added for single family lease-purchase housing developed with 9% credits. This type of housing is an excellent economic development tool for communities, addresses the needs of workers and their families, and also addresses Michigan's foreclosure crisis by providing an alternative to families who can no longer retain their homes. This type of housing is well suited to economic integration that is one of the stated policy priorities for MSHDA. The current set asides will concentrate poverty in already impoverished areas of Michigan. It is well documented that the type of central city poverty concentration that will result from the QAP set asides is not good for the people living in these developments or the cities where they are located.

Our comments on the Threshold Requirements are as follows:

- The 10% set aside for Supportive Housing Tenants is probably the most objectionable element of the plan to experienced housing professionals who realize that this will make it virtually impossible to responsibly develop and operate affordable housing projects in Michigan. The elimination of homelessness is a laudable objective; however, this threshold requirement will become a serious detriment to the development of affordable housing in Michigan. It is critical that Supportive Housing be tied to adequate supportive services and identifiable and quantifiable operating subsidies. This threshold requirement is essentially an unfunded initiative that forces the Michigan development community to address a problem without adequate resources or planning from MSHDA.
- Part of the problem in attracting businesses to Michigan is the high cost of labor. Auto manufacturers are thriving in Tennessee, South Carolina, Kentucky, and other parts of the country where labor costs permit profitability. Adding prevailing wage, MBE/WBE, and the other requirements contained in the 2nd threshold requirement will add to Michigan's economic problems rather than help to solve them.
- In Threshold Item 20, the 90 year affordability requirement is extreme and unnecessary. 40 years is more than adequate.
- We understand the need for Threshold Item 18. Greater competition for the purchase of tax credits is a benefit to developers and, ultimately Michigan's economy. This must be balanced with the time, effort, and cost of submitting an application that may or may not be funded. Obtaining a minimum of 2 equity bids should be sufficient.

Finally, we would like to comment on two other items in the draft QAP. First, limiting developers to 2 applications is anti-competitive and contrary to the State's interest. MSHDA should be looking to fund the best proposals based on whatever point system is contained in the final QAP. The point system should be detailed enough to capture MSHDA's policy initiatives and to permit MSHDA to differentiate one project from another based on score. Artificially limiting the number of proposals submitted to MSHDA runs contrary to all principles of competition that ultimately benefits those families and individuals who will be living in the housing that is funded. Secondly, the proposed funding round date of December 27th is too soon. It is now mid-September. No point system has been published. Good development proposals take time to put together. LIHTC's are a valuable resource that should not be squandered by establishing a premature application deadline. The first round of applications should be due no sooner than 120 days from the date that the QAP and all application materials have been finalized. All constituencies served by the QAP deserve the opportunity to have quality applications submitted for consideration.

We appreciate the opportunity to provide these comments and hope that they will be considered by MSHDA as it moves forward with a new QAP.

Sincerely,

The Woda Group, LLC

By: ______________________
David Cooper, Jr., Principal

cc: Honorable Jennifer M. Granholm
Bernie Glieberman, Chairman of the Board of the MSHDA
Scott Larry
Keeli Baker

Analysis of Credit Holdbacks	
Assumed Total Credit	**$19,000,000**
DHHP Holdback of 50%	($9,500,000)
Holdback for Distressed Cities	($2,850,000)
40% of Rural Set Aside for CDC's	($760,000)
Rural Assisted Living	($300,000)
Permanent Supportive Housing	($3,800,000)
Affordable Assisted Living	($750,000)
Remaining Allocation Amount	**$1,040,000**

Notes:

1. The analysis assumes all holdbacks are fully funded.
2. The amount used for Rural Assisted Living is ½ of the biennial amount of $600,000 to be set aside for Rural Assisted Living projects.
3. Of the remaining $1,040,000 in credits, $900,000 would go to satisfy the Rural Set Aside.